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Economy

Insurance: Climbing costs cut into consumer budgets

26 June 2025

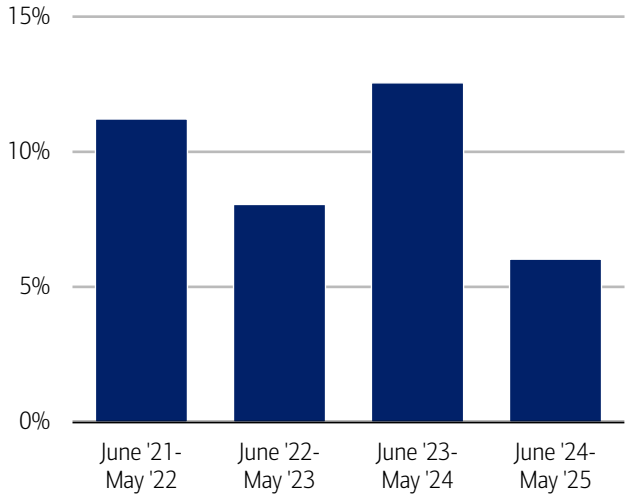
Key takeaways

- Property (auto and housing) insurance payment growth slowed in the year through May 2025, according to Bank of America internal data. But median payments still rose 6% year-over-year (YoY) and by over 40% since the period June 2020-May 2021. This has taken household property insurance payments as a percentage of income up to 5%.
- There is a slight skew in payment growth towards younger generations, who may be at a life-stage where they need more living space and larger vehicles. Meanwhile, from a geographic perspective, most states have seen broadly similar rises in property insurance payments, though it appears the increases in Texas and Washington have been slightly larger, while New Jersey and Michigan have seen smaller ones.
- The outlook for property insurance payments is complex. For autos, two positives are that the vehicle fatality rate has declined from its post-pandemic peak, and car price inflation is currently low. But there is a risk that tariffs could increase car prices, which would put upward pressure on auto insurance payments.
- At the same time, house price inflation has slowed somewhat across the US, which takes some pressure off home insurance. But the outlook is complicated by the risk of continued escalation in claims caused by acute weather-related events.

Insurance payment growth has slowed

Insuring one's property – both car and home – is expensive, and has become more so over the past few years for many households. Using aggregated and anonymized Bank of America customer data to track combined payments (see methodology) for both auto and home insurance (we use the term "property insurance" here), we find that the median annual payment rose 6% in the year through May 2025 (Exhibit 1).

Exhibit 1: There has been some slowing in property (auto and home) insurance payment growth in 2024/25
Median annual property insurance payments according to Bank of America internal data (% year-over-year (YoY))



Source: Bank of America internal data

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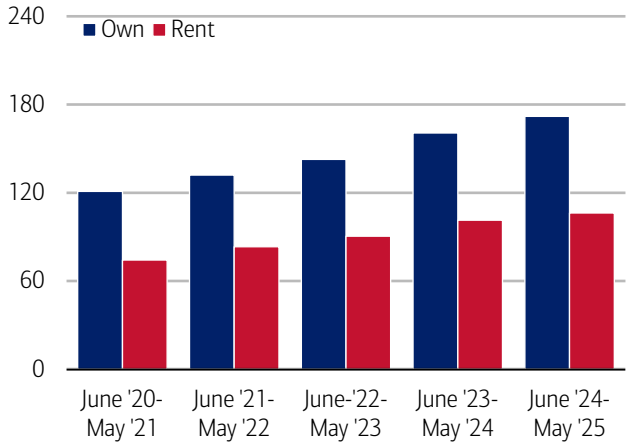
Exhibit 2: Renters and homeowners have experienced similar property insurance inflation since 2020/21
Median annual property insurance payments according to Bank of America internal data, split by homeowners and renters (index relative to overall median payment in June 2020/May 2021=100)



Source: Bank of America internal data

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The good news is this property insurance payment growth is the slowest in four years. But while it is down from the 13% rise seen between June 2023-May 2024, it is still a significant increase. And since the period from June 2020-May 2021, the median household property insurance payment has risen by over 40%.

In Exhibit 2 we split the data by homeowners and renters and look at how the median payment for each has evolved relative to the overall annual median in June 2020-May 2021. As would be expected, homeowners have higher property insurance payments overall as they have to insure their properties as well as the contents. But the relative increase since June 2020-May 2021 is very similar for the two groups.

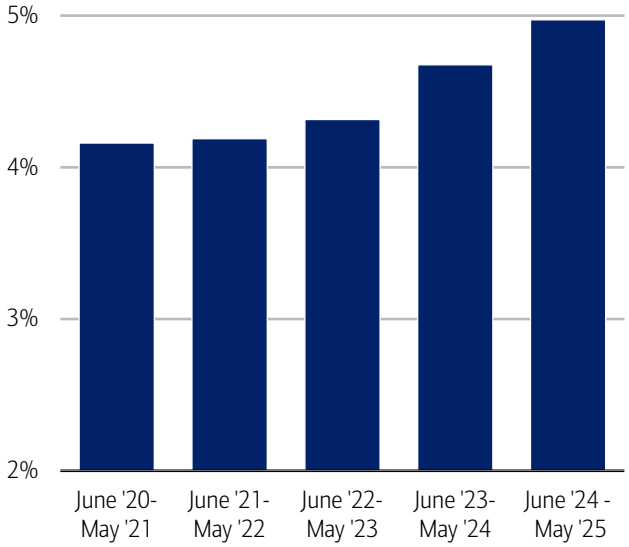
Property insurance payments are also taking up more household income

Over the past few years, the US labor market has been strong, with robust job growth and relatively healthy increases in wages and salaries, as mentioned in our June Consumer Checkpoint. This has meant that rising household income has helped cover the growth in property insurance payments – but not totally. Exhibit 3 shows that in Bank of America internal data, the median annual property insurance payment has risen from just over 4% as a percentage of total household income in June 2020-May 2021 to around 5% in June 2024-May 2025.

It is not a surprise, perhaps, that younger generations have seen the largest property insurance payment increase (Exhibit 4). These younger groups, especially Gen Z and Millennials, may be at a stage in their life where they need more space, leading them to buy bigger and more expensive homes and vehicles. But it is noteworthy, in our view, that even Gen X has seen a rise in property insurance payments of 45% relative to June 2020-May 2021.

Exhibit 3: Property insurance payments have risen from around 4% of household income to close to 5%

Median annual property insurance payments according to Bank of America internal data, as a percentage of household income (%)



Source: Bank of America internal data

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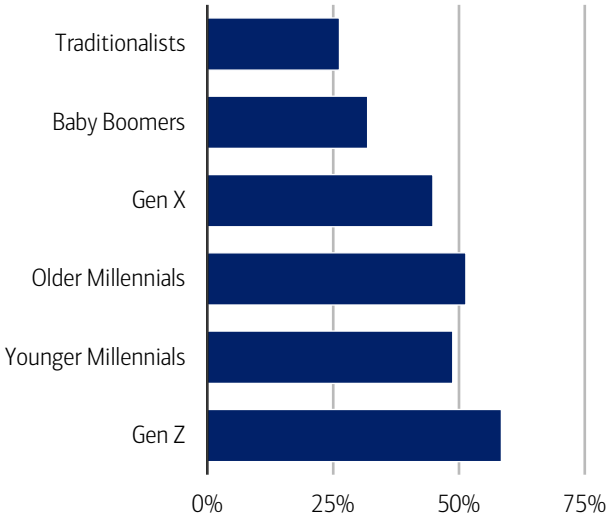
Exhibit 4: Younger generations have seen the largest increase in median property insurance payments

Median annual property insurance payments according to Bank of America internal data by household generation (% change June 2020-May 2021 to June 2024-May 2025)



Source: Bank of America internal data

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Property insurance payments vary by state, but most have seen rises

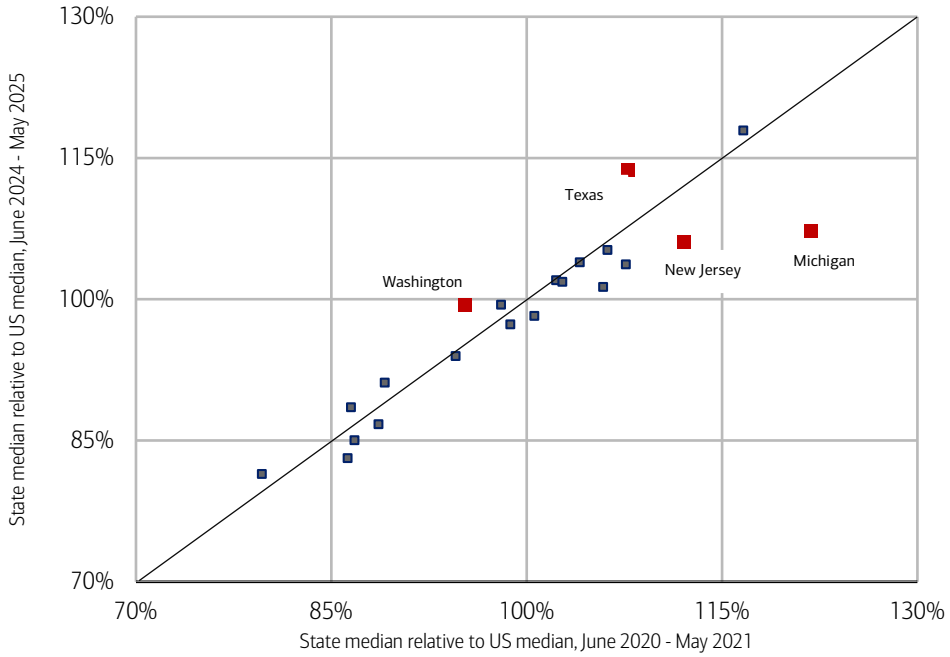
What about differences across the country? The median annual property insurance payment varies widely across US states. Looking at Bank of America internal data, we find households in Illinois, North Carolina and Oregon had the lowest annual property insurance payments relative to the US median in the year through May 2025, with payments at least 15% below the US median. At the other end of the spectrum, households in Georgia, Texas, and Michigan had the highest, with payments at least 7% higher than the US median.

Exhibit 5 shows that, by and large, households in many states have experienced similar relative property insurance payment growth – if households in a state had payments that were low compared to the US median in June 2020-May 2021 they generally remained so in June 2024-May 2025, according to Bank of America internal data.

But notable improvements have been made by households in Michigan and New Jersey: in both states households' payments remained above the US median payment in the year to May 2025, but the degree to which they were above has fallen by 15 and

6 percentage points (pp) respectively compared to June 2020-May 2021. Households in Texas and Washington, on the other hand, have seen higher payment growth relative to the US, raising their relative payment by 6pp and 4pp, respectively.

Exhibit 5: By and large households in many states have experienced similar rises in property insurance payments vs the US median
State median insurance payment relative to US median, June 2020-May 2021 vs June 2024-May 2025 (%)



Source: Bank of America internal data

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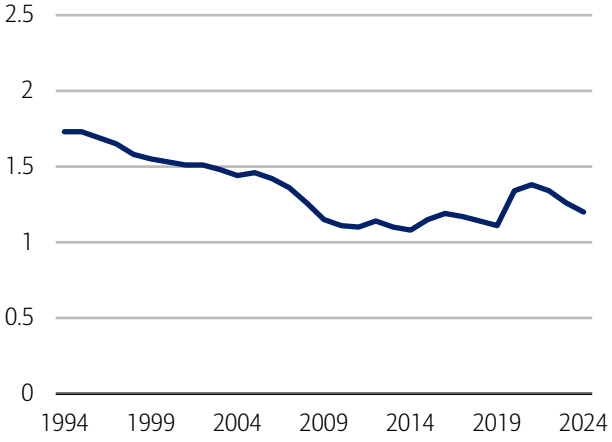
What's next for insurance payments?

The outlook for property insurance payments is complex. At one level it will depend on the risk of events occurring that trigger insurance claims – higher risks typically lead insurers to raise premiums. But it will also rest on the cost of any given claim, which depends on the associated replacement costs or repairs.

For auto insurance, the consumer price index (CPI) measure of motor vehicle insurance from the Bureau of Labor Statistics (BLS) shows the year-over-year (YoY) rate of growth at 7% in May 2025, easing from a peak of 23% YoY in April 2024. So while still high, at least the trajectory points to some easing in upward premium pressures.

Exhibit 6: Vehicle fatality rates have fallen
Motor vehicle fatalities per 100 million miles travelled



Source: U.S. Department of Transportation

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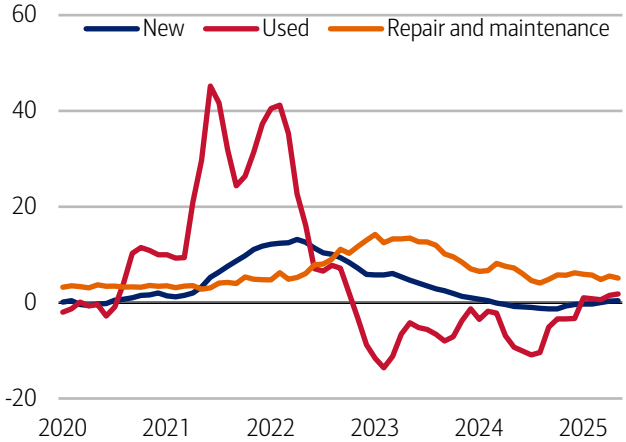
Exhibit 7: New and used car price inflation is currently modest
Consumer price inflation in new and used vehicles (% YoY)



Source: Haver Analytics

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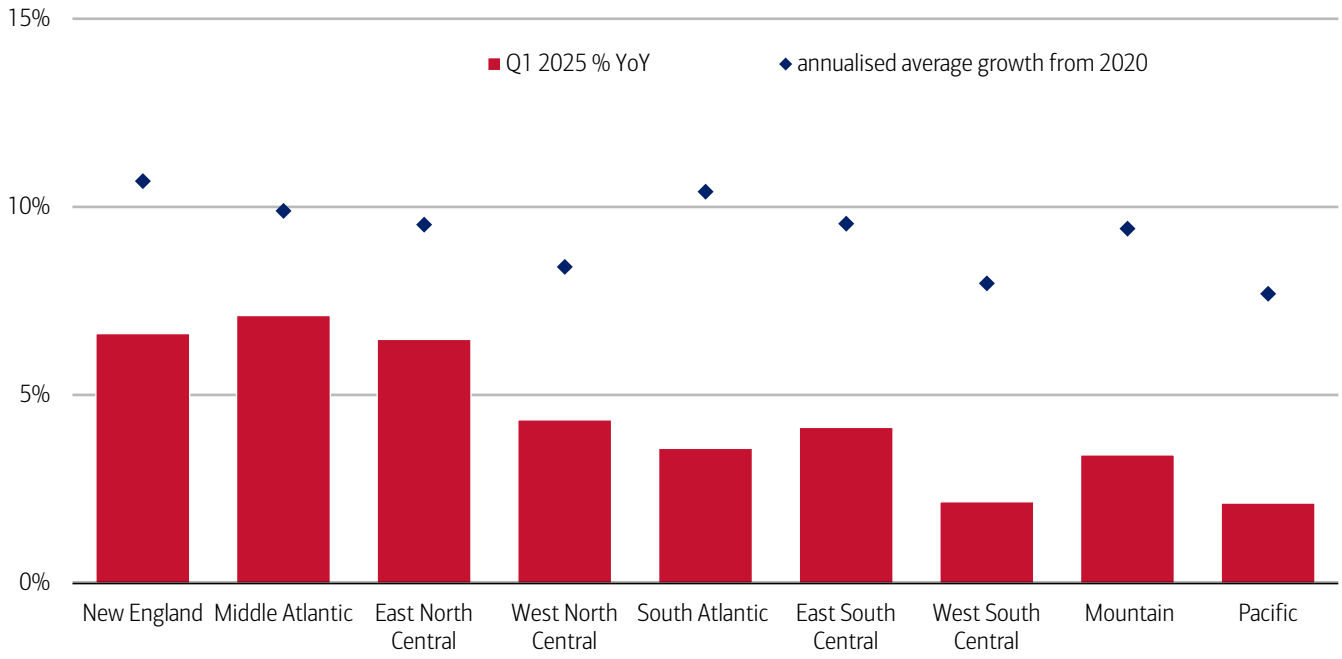
One potentially helpful factor to note here is that, according to U.S. Department of Transportation data, the vehicle fatality rate appears to have been falling after a rise immediately following the pandemic (Exhibit 6). Technology may be playing a role here, with more widespread driving assistance features in cars, which could help underpin further improvements in safety going forward. At the same time; however, when accidents do occur, more technology in vehicles can increase the cost of repairs, given the need for sensors to be replaced or recalibrated.

Vehicles generally either need replacing or repairing after an accident, the cost of which are key variables for insurance premiums. As we mentioned in our recent piece, Autos: How much gas is left in the tank?, car price inflation has eased, with new and used car price inflation currently low compared to the much larger movements seen earlier in the 2020s (Exhibit 7). This is likely helping to relieve some upward pressure on the costs to insure. But, on the other hand, while inflation in vehicle repair and maintenance has come down from 2023 according to data from the BLS, it remains fairly sticky and was around 5% YoY as of May 2025.

So, for auto insurance, while developments on accident rates and car prices could potentially help to take *some* upward pressure off of auto insurance payments, it may be fairly limited. Moreover, there is a risk that tariff policies on autos could also lead to a significant rise in car prices. If this were to happen, the cost of replacing vehicles would rise and so likely would insurance premiums.

When we switch gears to home insurance, one positive is that as of Q1 2025, home price inflation across all US Census divisions is lower than its average since 2020 (Exhibit 8). As home insurance payments will tend to follow house prices, this could potentially mean lower home insurance payment growth, in our view. However, it's worth nothing that Q1 2025 house price inflation in some US Census divisions such as New England, the Middle Atlantic and East North Central is still above 5% YoY.

Exhibit 8: House price growth has eased back across Census divisions
House price growth by Census division (% YoY)



Source: Haver Analytics

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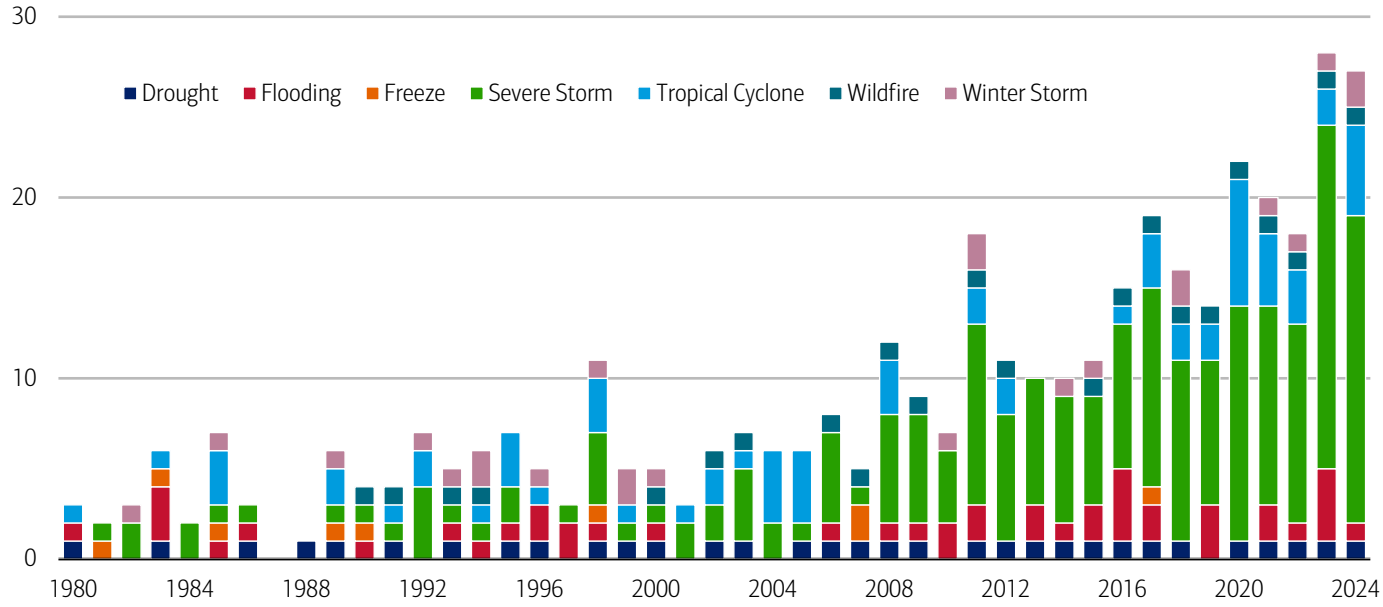
Additionally, the risks that might trigger a house insurance claim are, of course, multitudinous, but one important consideration is the increasing frequency of acute weather events. The National Oceanic and Atmospheric Administration (NOAA) records "billion-dollar disasters" in which weather and climate events lead to losses exceeding $1bn. On an inflation-adjusted basis, Exhibit 9 shows that in 2024 NOAA recorded 27 such disasters in the US, down from 28 in 2023, but well up on the preceding decade. How these climate and weather events play out in future will be an important factor for national and local home insurance payments.

Exhibit 9: Severe storm disasters in particular have risen significantly over the past two decades
Number of billion-dollar disasters each year by type (inflation adjusted)



Source: National Oceanic and Atmospheric Administration (NOAA)

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Overall, in our view, while there are some positive developments that might be supportive of slowing property insurance payments, there are large question marks hanging over both auto and home insurance, including the potential impact of tariffs and changing weather patterns.

Methodology

Selected Bank of America transaction data is used to inform the macroeconomic views expressed in this report and should be considered in the context of other economic indicators and publicly available information. In certain instances, the data may provide directional and/or predictive value. The data used is not comprehensive; it is based on **aggregated and anonymized** selections of Bank of America data and may reflect a degree of selection bias and limitations on the data available.

Any payments data represents aggregated spend from US Retail, Preferred, Small Business and Wealth Management clients with a deposit account or credit card. Aggregated spend include total credit card, debit card, ACH, wires, bill pay, business/peer-to-peer, cash, and checks.

Any **Small Business** payments data represents aggregate spend from Small Business clients with a deposit account or a Small Business credit card. Payroll payments data include channels such as ACH (automated clearing house), bill pay, checks and wire. Bank of America per Small Business client data represents activity spending from active Small Business clients with a deposit account or a Small Business credit card and at least one transaction in each month. Small businesses in this report include business clients within Bank of America and generally defined as under $5mm in annual sales revenue.

Unless otherwise stated, data is not adjusted for seasonality, processing days or portfolio changes, and may be subject to periodic revisions.

The differences between the total and per household card spending growth rate (if discussed) can be explained by the following reasons:

1. Overall total card spending growth is partially boosted by the growth in the number of active cardholders in our sample. This could be due to an increasing customer base or inactive customers using their cards more frequently.

2. Per household card spending growth only looks at households that complete at least five transactions with Bank of America cards in the month. Per household spending growth isolates impacts from a changing sample size, which could be unrelated to underlying economic momentum, and potential spending volatility from less active users.

3. Overall total card spending includes small business card spending while per household card spending does not.

4. Differences due to using processing dates (total card spending) versus transaction date (per household card spending).

5. Other differences including household formations due to young adults moving in and out of their parent's houses during COVID.

Any household consumer deposit data based on Bank of America internal data is derived by anonymizing and aggregating data from Bank of America consumer deposit accounts in the US and analyzing that data at a highly aggregated level. Whenever median household savings and checking balances are quoted, the data is based on a fixed cohort of households that had a consumer deposit account (checking and/or savings account) for all months from January 2019 through the most current month of data shown.

Bank of America aggregated credit/debit card spending per household includes spending from active US households only. Only consumer card holders making a minimum of five transactions a month are included in the dataset. Spending from corporate cards are excluded. Data regarding merchants who receive payments are identified and classified by the Merchant Categorization Code (MCC) defined by financial services companies. The data are mapped using proprietary methods from the MCCs to the North American Industry Classification System (NAICS), which is also used by the Census Bureau, in order to classify spending data by subsector. Spending data may also be classified by other proprietary methods not using MCCs.

We consider a measure of services necessity spending that includes but is not limited to childcare, rent, insurance, insurance, public transportation, and tax payments. Discretionary services includes but is not limited to charitable donations, leisure travel, entertainment, and professional/consumer services. Holiday spending is defined as items in which spending in the November-December period is usually at least 20% of total annual spending on the category.

For analysis looking at higher value transactions (including durables), we consider a value per transaction threshold estimated with reference to the top 30% of transactions by value in 2024. The share of higher value transactions is then the number of transactions above this threshold as a percentage of total transactions over time.

Lower, middle and higher household income cuts in Bank of America credit and debit card spending per household, and consumer deposit account data are based on quantitative estimates of each households' income. These quantitative estimates are bucketed according to terciles, with a third of households placed in each tercile periodically. The lowest tercile represents 'lower income', the middle tercile represents 'middle income' and the highest tercile 'higher income'. The income thresholds between these terciles will move over time, reflecting any number of factors that impact income, including general wage inflation, changes in social security payments and individual households' income. The income and tercile in which a household is categorised are periodically re-assessed.

Generations, if discussed, are defined as follows:

1. Gen Z, born after 1995

2. Younger Millennials: born between 1989-1995

3. Older Millennials: born between 1978-1988

4. Gen Xers: born between 1965-1977

5. Baby Boomer: 1946-1964

6. Traditionalists: pre-1946

Any reference to card spending per household on gasoline includes all purchases at gasoline stations and might include purchases of non-gas items.

Insurance payments cover ACH, credit and debit and online bill pay. These payments may also include other categories such as travel and life insurance where these are paid directly rather than through payroll. These categories are likely to be small in relation to homeowners' and auto insurance. As insurance payments can be paid at varying frequencies we look at full twelve-month windows. In this report data covers the twelve months to May for successive years.

For data on insurance payments by states only those states where at least 50,000 households are in the sample are included. States included: Arizona, California, Connecticut, Florida, Georgia, Illinois, Massachusetts, Maryland, Michigan, Missouri, North Carolina, New Jersey, Nevada, New York, Oregon, Pennsylvania, South Carolina, Tennessee, Texas, Virginia, Washington.

Additional information about the methodology used to aggregate the data is available upon request.

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